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MARKETING RESEARCH REPORT

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Marketing Flowers

CREDIT AND FINANCING PROBLEMS OF RETAIL AND WHOLESALE FLORISTS IN FOUR IOWA CITIES

MARKETING RESEARCH REPORT NO. 704

U.S. DEPARTMENT OF AGRICULTURE/ECONOMIC RESEARCH SERVICE

PREFACE

In 1963, the Economic Research Service, United States Department of Agriculture, began a broad program of economic research to assist the floricultural industry in marketing cut flowers, potted plants, bulbs, and ornamentals. This research was partly financed by funds supplied by the Florists Telegraph Delivery Association under a cooperative agreement with the Department.

Iowa was selected for a study of the credit and financing problems of wholesale and retail florists because of its central position in the United States. Florists in Iowa should be able to purchase flowers equally well from California and Florida. In addition, their businesses should not be influenced by large floral markets such as Chicago and New York.

Mr. M. Truman Fossum, Florists Telegraph Delivery Association, gave invaluable advice and counsel in planning the survey and formulating the questionnaires. He also provided much of the background material concerning the florist industry. Retail and wholesale florists in Cedar Rapids, Des Moines, Sioux City, and Waterloo, Iowa, cooperated wholeheartedly in this study by providing detailed financial information concerning their businesses.

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SUMMARY

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The florist industry consists of a large number of small businesses that, together, are big business. Retail florists differ from many other small businesses, however, in that most of their sales are for credit to customers with whom they do not have personal contact. Thus, in addition to the chronic need of adequate financing of most small businesses, florists also are confronted with high risks in the extension of credit and the collection of debts. This study was conducted in 4 Iowa cities to determine the nature of florists' financing problems and the seriousness of their financial losses from noncollectable accounts.

Data presented in this report were obtained through interviews with retail and wholesale florists in Cedar Rapids, Des Moines, Sioux City, and Waterloo. Forty-six retail and 10 wholesale florists were interviewed. In addition, officials of 12 banks were interviewed to determine whether they considered florists to be credit risks.

Sales of the 46 retail florists totaled more than $3 million in 1963, and averaged $68,066 per firm. Gross sales of small firms averaged $23,413; medium-sized firms, $67,700; and large firms, $149,751. Small firms had average gross sales of $13,772 per full-time employee, compared with $16,647 for medium and $20,590 for large firms.

Only 7 of the 46 retail firms were incorporated. Most of the firms were single proprietorships, and almost a third were partnerships.

More than 14 percent of the retail florist sales were made through a wire-service organization. Sixty percent of total gross sales were made locally over the telephone, and approximately 25 percent were made to customers who came into the shops. It is possible that as much as 75 percent of all floral sales were made to customers who did not see what they were buying, and many of these probably did not see what they had bought.

Regardless of the size of business, about 75 percent of all floral sales were made on credit--about 25 percent were cash sales.

Local wholesalers were the principal source of supply for flowers and greens for all retail florists. Small florists purchased 75 percent of their floral needs from local wholesalers. Medium and large firms produced part of their floral needs in their own greenhouses and purchased 40-50 percent from local wholesalers.

Capital requirements for beginning a florist business averaged about $6,000 for the 46 Iowa florists. Current assets were valued at $10,041 for small, $29,888 for medium, and $39,172 for large firms. Forty-three percent of the florists had used long-term credit to start their businesses, and nearly all had obtained credit from banks. Only 2 firms reported that long-term credit had been inadequate for their needs.

Forty-one percent of the florists had used short-term credit to finance equipment and to meet bills. Fifteen of the 19 firms reporting obtained short-term credit from banks. Only 2 firms reported that short-term credit had been inadequate for their needs.

Despite rather informal procedures for extending credit, losses of retail florists from noncollectable accounts were low. These accounts totaled $27,916, or about 0.9 percent of total gross sales. Firms that permitted only the owner or manager

to extend credit and those that placed delinquent accounts on c.o.d. shipment only tended to have lower bad-debt losses than other firms.

Wholesale florists in Iowa were smaller than in more metropolitan sections of the country. Only 3 had sales of more than $300,000. Two firms had gross sales of less than $100,000, and 5 firms had gross sales from $100,000 to $300,000.

Most of the wholesale florists were corporations. One was a proprietorship and 3 were partnerships. Only 3 firms had more than one store.

Credit sales accounted for 91 percent of the gross sales of the 10 wholesale florists. Losses from noncollectable accounts ranged from zero to 1.5 percent of gross sales, and averaged 0.45 percent per firm.

Five wholesale florists with low losses from noncollectable accounts differed little from those with high losses. Various aspects of business practices were studied to ascertain why some firms had lower losses than others. Perhaps the most significant difference between low- and high-loss firms was in debt-collection procedures. Low-loss firms tended to be more flexible and adaptive in their methods of debt collection. Also of some significance was the difference in cash sales. These firms did 38 percent of their business for cash, compared with 14 percent for the high-loss firms.

Loans to florists had been made by 7 of the 12 banks in the study. Requests from florists for loans had been denied by 3 banks, and 1 foreclosure had been made. However, none of the bankers considered florists to be poor credit risks. All asserted that loans were made to all businesses on the same basis--a sound financial structure and a history of successful operation.

MARKETING FLOWERS--CREDIT AND FINANCING PROBLEMS OF RETAIL AND WHOLESALE FLORISTS IN FOUR IOWA CITIES

by

Jules V. Powell and Victor G. Edman
Agricultural Economists, Economic Research Service
Marketing Economics Division

INTRODUCTION

The florist industry consists of many small businesses that, together, are big business. In 1959, more than 20,000 establishments produced flower crops. Their production was marketed through approximately 1,200 wholesale and 20,000 retail florists. Retail value of goods and services provided by these firms totaled nearly $1.2 billion, of which about $750 million came from sales of specialized retail florists and retail growers. 1/

The florist industry is relatively unaffected by automation. Labor requirements have been reduced slightly at the grower level, and new packaging materials and accessories have increased efficiency to a limited extent at the wholesale level. The retail florist, however, has made few advances in labor efficiency.

Most retail florists operate in a manner similar to operations in years past. The floral designer is an artisan who composes each arrangement individually. The improvements in floral varieties, greens, and holding materials he has to work with have not greatly reduced the labor requirements for the floral arrangements. Labor requirements for floral arrangements increase as sales increase. Several independent studies have shown that roughly one additional floral designer is needed for each $17,000-$19,000 increase in gross sales.

The florist is faced with a market over which he has little influence. The bulk of sales of cut flowers are for special events. These sales usually require services, such as custom design, credit, delivery, and telephone-order acceptance. Thus, the success of the individual florist depends on his artistry, the marriage-birth-sickness-death cycle of society, and his astuteness in managing purchases, inventories, credit sales, and outstanding debts.

Since most of the inventory of a florist shop is perishable or for specialized uses, florists have little collateral to offer in obtaining loans. A new florist has little except his earning record in, or assets from, other endeavors. Therefore, it might be expected that operating funds would be a chronic need for most florists.

If florists are unable to expand their businesses because of lack of funds, an analysis of their credit and financing problems and practices should indicate means by which their financial positions could be improved. This study was conducted to test the hypothesis that florists suffer from large bad-debt losses, and that this record hampers their ability to obtain operating capital from lending institutions.

Background

According to the Census of Business, there were 19,176 retail florists in the

1/ Fossum, M. Truman. Trends in Floriculture. Florist's Review, Jan. 26, 1961.

United States in 1958 (appendix tables 39 and 40). 2/ The number had grown from 14,749 in 1948 and 16,279 in 1954. Sales of these retail florist shops totaled more than $638 million in 1958, compared with $496 million in 1954 and $377 million in 1948. In 1958, of the 19,176 florists in the United States, 11,662 had payrolls. More than 7,500 of these businesses were run by the proprietor and unpaid family employees.

The growth of the retail florist industry in Iowa has paralleled that of the United States as a whole. In 1958, there were 225 retail florists in Iowa, compared with 197 in 1954 and 121 in 1948. There were 137 specialized retail florists with payrolls in 1958, and 123 in 1954. Sales for all establishments totaled more than $7 million in 1958, about $6 million in 1954, and nearly $5 million in 1948.

Method of Study

All known wholesale and retail florists in the metropolitan areas of Cedar Rapids, Des Moines, Sioux City, and Waterloo were contacted during March 1964. Each of these cities is in a Standard Metropolitan Statistical Area (table 1). 3/ In addition, loan officers or other officials of 12 banks were interviewed to determine their opinion of florists as credit risks.

Table 1.--Population in 1962, number of retail florists in 1954 and 1958, and number of retail florists interviewed in 1964, 4 Iowa cities

City	Population 1/	Retail florists, 1954	Retail florists, 1958	Retail florists 2/ interviewed, 1964
	----------	Number	----------	
Cedar Rapids	143,300	9	12	9
Des Moines	273,200	33	27	20
Sioux City	108,800	11	5	11
Waterloo	127,000	8	6	6

1/ Standard Metropolitan Statistical Area, 1962.
2/ Excludes 1 florist in Cedar Rapids, 2 in Des Moines and 2 in Sioux City.

RETAIL FLORISTS

Size of Firms

The 46 Iowa retail florists interviewed were grouped according to volume of sales (tables 2, appendix table 32). The smallest retail florists interviewed had gross sales of $10,000 in 1963. The largest firm had sales of $335,000, or about 10 percent of all sales in the 4 cities. All of the other firms classified as large had sales of less than $200,000.

2/ U.S. Bureau of the Census. 1958 Census of Business. Retail Trade--Area Statistics. Govt. Print. Off., Washington, D.C.

3/ A Standard Metropolitan Statistical Area is a population center, usually of at least 50,000 people, that meets certain criteria for economic and social relationships between the center and contiguous areas.

Table 2.--Number of firms and amount of sales, by size groups, 46 retail florists, Iowa cities, 1963

Gross sales 1/	Firms	Total sales	Average sale
	Number	Dollars	Dollars
Small	20	468,269	23,413
Medium	15	1,015,500	67,700
Large	11	1,647,259	149,751
Total or average	46	3,131,028	68,066

1/ Small firms had sales of less than $50,000; medium, $50,000 to $99,999; and large, $100,000 and more.

Relation of Population.--The number and size of florist shops in a particular area is probably affected by population, the amount of per capita disposable income, and the average age and ethnic composition of the population.

Detailed breakdowns of population were not made, but population alone did not determine the numbers of retail florists in these cities. Des Moines, the largest city studied, had the most florists; Sioux City, the smallest city, had the next highest number. There were 12,418 persons per florist shop in Des Moines, compared with 8,369 persons per shop in Sioux City (table 3).

Table 3.--Population, total retail florists, and ratios of population and gross sales to florists interviewed, 4 Iowa cities, 1963

Metropolitan area	Population	Retail florists 1/	Gross sales 2/	Persons per shop	Per capita sales 2/
	Number	Number	Dollars	Number	Dollars
Cedar Rapids	143,300	10	507,861	14,330	3.54
Des Moines	273,200	22	1,675,259	12,418	6.13
Sioux City	108,800	13	476,108	8,369	4.38
Waterloo	127,000	6	471,800	21,167	3.71
Total or average	652,300	51	3,131,028	14,180	4.80

1/ Total florists.
2/ 46 florists.

Data for Sioux City do not include a flourishing cash-and-carry florist business incorporated in a variety store of a leading national chain. Actually, there were about 9,000 people per florist shop in Sioux City. Des Moines had the highest sales per capita, but Sioux City--including the chain florist--had higher sales than either Cedar Rapids or Waterloo.

Number of Outlets.--Only 4 of the 46 retail floral firms had more than 1 retail outlet. Two of these were in Des Moines, and 1 each in Sioux City and Waterloo. Firms that had more than 1 outlet were older firms that had opened branch stores in new shopping centers on the periphery of the city.

Other Businesses.--Eleven of the 46 retail florists also operated other businesses. Five were small firms, 3 medium, and 3 large. For the small firms the average income from other businesses was $9,535; for medium firms, $65,000; and for large firms, $125,000. As a group, these 11 firms averaged $56,152 from outside endeavors.

The other businesses operated were predominately greenhouses or nurseries. These businesses sold cut flowers and potted plants to the owner firm. In these transactions, there was no exchange of cash. It is a moot question whether it is more profitable for florists to grow their own flowers in Iowa or purchase them. There is a tendency for florists to produce their own potted and bedding plants and purchase cut flowers, either direct from producers in California and Florida, or through local wholesalers. Most retailers thought they could produce their own potted plants more cheaply because of high transportation costs. Transportation costs for cut flowers are relatively lower than for potted plants, and air service from remote producing areas is becoming increasingly good. Some florists said they usually obtained overnight service from California and Florida.

Age of Firms

The florist business in each of the cities tended to consist of a nucleus of old properous firms with smaller, younger firms comprising the remainder of the complex. The average large firm was established in 1916, average medium-sized firm in 1929, and average small firm in 1945. Small firms, on the average, had been under the present management 9.9 years, compared with 23.3 years for medium-sized firms and 21.1 years for large firms.

Eighteen of the 20 small firms were first-generation florists. In contrast, 7 medium-sized and large florist shops were managed by second-generation florists, and 3 by third-generation florists.

The average florist shop in Cedar Rapids and Waterloo was established in 1923; in Des Moines, 1934; and in Sioux City, 1942. The low average age of firms in Sioux City is a possible reflection of a high rate of economic activity. There was only one manager in Sioux City who was a second-generation florist; all the others were first-generation. Each of the other cities had at least one third-generation florist and two or more second-generation.

Legal Organization of Firms

Only 7 of the 46 retail florist shops were incorporated (table 4). Most were single proprietorships. A larger proportion of large firms were incorporated than were either the small or medium firms.

Store Hours

Operating a florist shop requires long hours of work. Most of the shops surveyed were open for business 9-10 hours, Monday through Saturday, and nearly all employees worked on Sundays. Sunday work usually consisted of making floral arrangements; the shop may not have been open for normal walkin trade.

Table 4.--Retail florists reporting legal organization, by size of firms, 4 Iowa cities, 1963

Organization	Size of firm			Total
	Small	Medium	Large	
	Number			
Single proprietorship	14	6	5	25
Partnership	5	6	3	14
Corporation	1	3	3	7
Total	20	15	11	46

Small shops were open an average of 9.9 hours Monday through Friday, 9.8 hours on Saturdays, and 8.2 hours on Sundays. Medium and large shops were open 9.6 hours Mondays through Saturdays, and 4.9 and 4.1 hours, respectively, on Sundays.

Seventeen, or 37 percent of all florists shops in the 4 cities, were open for business on Sundays. Nine of these were small shops; 4, medium; and 4, large.

In addition to regular store hours, nearly all the florists had facilities for accepting orders when the shop was closed. This facility usually was a phone extension in the residence of the owner or manager. Some florists subscribed to an answering service; others listed their home phone as the number to call after shop hours. Ninety percent of the small florists, 87 percent of the medium-sized florists, and 82 percent of the large florists had facilities for taking orders when the retail shop was closed (appendix table 33).

Wire-Service Membership

Eighty-nine percent of the florists in the cities surveyed belonged to a wire service (table 5). It was the concensus among florists that membership in a flowers-by-wire organization was expensive, but nearly all agreed that success in the retail florist business was virtually impossible without it.

Table 5.--Retail florists reporting membership in flowers-by-wire organizations, by size of firm, 41 retail florists, 4 Iowa cities, 1963

City	Members of wire-service organization			Total
	Small	Medium	Large	
	Number			
Cedar Rapids	5	1	2	8
Des Moines	5	7	6	18
Sioux City	6	3	1	10
Waterloo	1	3	1	5
Total	17	14	10	41

Thirty-one florists who belonged to a flowers-by-wire organization belonged to the Florists Telegraph Delivery Association. Seven belonged to Teleflora, 7 to Florafax, and 3 to United Wire. Some florists belong to more than one wire service. Thus, the total of wire memberships was greater than the total number of florists interviewed. Five florists were not members of any wire service.

Number of Employees

In the 4 cities, florists had approximately 175 full-time employees, and 228 part-time who worked principally on weekends and on days preceding floral holidays. The average number of full-time employees, including unpaid family labor, ranged from 1.4 in small firms to 7.3 in large firms. Part-time employees averaged from 3.4 in small to 8.5 in large firms. Annual sales per full-time employee averaged slightly less than $14,000 in small shops and more than $20,500 in large ones (appendix table 34). Medium-sized shops averaged $16,647 for each full-time employee.

Characteristics of Florists

Florists interviewed had been in the florist business an average of 17 years and had lived in their present community an average of 31 years (table 6). Sixteen of the respondents were second-generation florists who had inherited the business from their parents, and 24 had never worked in any other kind of business.

Table 6.--Experience, training, and other characteristics of flower shop operators, by size of firm, 46 retail florists, 4 Iowa cities, 1964

Item	Size of firm			Total or average
	Small	Medium	Large	
Florists reporting years in--				
Florist business	13	22	21	17
Community	26	35	36	31
Parents in florist business:	Operators			
Yes	5	5	6	16
No	15	10	5	30
Experience in other businesses:				
Yes	13	6	3	22
No	7	9	8	24
Formal Training:				
Yes	7	8	4	19
No	13	7	7	27
Type of training:				
Design School	5	8	2	15
Short Courses	5	1	0	6
College	1	0	1	2
Other	7	5	3	15
Average membership in civic organizations	3.3	4.0	4.1	3.3

Most of the florists had no formal training in the florist business. Nineteen florists reported that they had such training and it consisted primarily of attending design schools for flower arrangements. Six florists reported that they had taken "short courses" at their State colleges. Only two florists had degrees from colleges or universities. Nearly all the florists belonged to 2 or more civic organizations. The average for all florists was membership in 3.3 civic organizations. Large florists belonged to an average of 4.1 civic organizations, and small florists, 2.3.

Retail Sales

More than 14 percent of the gross sales of retail florists in the 4 cities were wire-service sales (tables 7 and 8). 3/ By size groups, wire-service sales ranged from 11.7 percent of gross sales in the small group to 15.3 percent in the medium group. There was greater variation among cities. Wire sales in Sioux City averaged 18.3 percent of total sales compared with 12.2 percent in Cedar Rapids. Wire-service sales were roughly equally divided between incoming and outgoing orders. However, wire sales of small florists were nearly 60 percent incoming compared with 49 percent incoming for medium and 43 percent for large florists.

Nearly 86 percent of total sales were nonwire. Of these, more than two-thirds were telephone orders from local customers and less than one-third were from walkin customers. However, nearly one-third of sales of small florists were to walkin customers, compared with one-fifth in medium-sized shops, and one-fourth in large shops. Walkin sales averaged slightly more than 20 percent of total sales in each city except Des Moines where they were 29 percent.

Cash and Credit Sales

Approximately 75 percent of all floral sales in the 4 cities were credit sales (table 9 and appendix table 35). The percentage was about the same regardless of size of business. Small firms had slightly more cash sales than medium or large firms.

Florists in Sioux City appeared to have more cash customers than those in any of the other cities, and florists in Cedar Rapids the least.

Sources of Supplies

The 46 Iowa florists obtained most of their floral supplies from local wholesalers, (table 10 and appendix table 36). In Iowa, and perhaps in most other agricultural areas, larger florists also have greenhouses and produce part of their perishable supplies. Small florists in the study produced only 5 percent of their floral supplies; large florists produced 26 percent. The average for all florists was more than 18 percent.

Small florists purchased nearly 76 percent of their floral supplies from local wholesalers; large florists purchased only 41 percent. Conversely, small florists purchased only 5 percent of their floral supplies from out-of-town wholesalers; large florists purchased nearly 19 percent.

3/ The average wire sales for the United States is estimated to be approximately 8 percent. Iowa florists tended to report invoice values for wire sales rather than dollar amounts received from the clearinghouses. This raised the estimates of wire sales. However, other factors associated with the agrarian mid-west economy indicate that wire service sales are higher than the national average.

Table 7.--Distribution of sales in each size group by type of sale, 46 retail florists, 4 Iowa cities, 1963

Size of firm	Wire service				Wire service sales	Nonwire service			Total sales
	Outgoing		Incoming			Walkin sales	Telephone sales	Other sales	
	Walkin sales	Telephone sales	Wire orders	Telephone orders					
	Percent								
Small	1.1	3.7	0.1	6.8	11.7	32.1	55.6	0.6	100.0
Medium	1.7	6.1	.2	7.3	15.3	21.2	63.5	--	100.0
Large	1.6	6.7	.1	6.1	14.5	26.5	59.0	--	100.0
All sizes	1.6	6.0	.1	6.6	14.3	25.6	60.0	.1	100.0

Table 8.--Distribution of sales in each city by type of sale, 46 retail florists, 4 Iowa cities, 1963

City	Wire service				Wire service sales	Nonwire service			Total sales
	Outgoing		Incoming			Walkin sales	Telephone sales	Other sales	
	Walkin sales	Telephone sales	Wire orders	Telephone orders					
	Percent								
Cedar Rapids	0.8	5.7	1/	5.7	12.2	22.3	64.9	0.6	100.0
Des Moines	1.7	6.6	1/	5.8	14.2	29.1	56.7	--	100.0
Sioux City	1.7	4.4	0.5	11.7	18.3	21.2	60.5	--	100.0
Waterloo	1.5	6.0	1/	5.4	13.0	21.3	65.7	--	100.0
All cities	1.6	6.0	.1	6.6	14.3	25.6	60.0	.1	100.0

1/ Less than 0.5 percent.

Table 9.--Average cash and credit sales, by size of firm, 46 retail florists, 4 Iowa cities, 1963

Size of firm	Volume of sales				Total	
	Cash		Credit			
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Small	6,544	28.0	16,869	72.0	23,413	100.0
Medium	17,993	26.6	49,707	73.4	67,700	100.0
Large	35,370	23.6	114,381	76.4	149,751	100.0
Total	17,171	25.2	50,895	74.8	68,066	100.0

Table 10.--Retail florists reporting source of floral (perishable) supplies, by size of firm, 46 retail florists, 4 Iowa cities, 1963

Source	Size of firm			Average
	Small	Medium	Large	
	Percent			
Local grower	12	12	9	10
Local wholesaler	76	49	41	49
Out-of-town grower	2	14	5	7
Out-of-town wholesaler	5	17	19	16
Own greenhouses	5	8	26	18
Total	100	100	100	100

Financing

Capital Requirements.--Capital requirements for beginning a retail florist business are small compared with most other small businesses. The initial requirements are a small display area, a work area for making floral arrangements, a refrigerator for keeping the perishable inventory, and a small nonperishable inventory of working, or minor, sales materials.

Beginning with a small initial capital investment, the new florist builds his business through becoming well known in the community as a competent florist and a community leader. His success in projecting this image to the community is meaured by the increases in dollar volume of sales of floral materials.

Large increases in sales do not require proportionately large investments in fixed assets or inventory. Perhaps a larger work area is needed and more employees are hired. Additional delivery trucks are also needed. But the net worth of the

business is not fully reflected in the tangible assets of the store. A large part of the net worth of the retail florist lies in the name of the business, and the number of customers who turn to that name for their floral needs. Thus, the value of fixed assets for florist shops in these 4 cities does not indicate the capital required to purchase an existing florist business.

The average value of fixed assets for all the florist shops was $21,568 in 1963 (table 11, and appendix table 37). Value of nonperishable inventory averaged $3,111 for the 46 shops and the value of perishable inventory--though highly variable--averaged $427.

Table 11.--Average value of fixed assets and perishable and nonperishable inventory of florist shops, by size of firm, 46 retail florists, 4 Iowa cities, 1964

Item	Size of firm			Average
	Small 1/	Medium	Large	
	----------Dollars----------			
Fixed assets	8,617	26,025	33,150	21,568
Perishable inventory	207	385	830	427
Nonperishable inventory	1,217	3,478	5,192	3,111
Total	10,041	29,888	39,172	25,106

1/ 15 of 20 firms reporting.

Long-Term Credit.--Forty-three percent of the florists interviewed said they had used long-term loans at some time (table 12). A greater percentage of the large firms, compared with the small and medium-sized ones had used long-term credit. of these large firms still owed on their loans. For those firms that had long-term debt, the average amount still outstanding was $13,600. For small firms, the average amount still owed was $11,957; for medium firms, $5,833; and for large firms, $18,571.

Table 12.--Number of firms that have used long-term loans, and number still owing, 46 retail florists, 4 Iowa cities, 1964

Size of firm	Number of firms	Used long-term credit		Owing on long-term debt	
		Number	Percent of total	Number	Percent of total
Small	20	8	40	7	35
Medium	15	5	33	3	20
Large	11	7	64	7	64
Total	46	20	43	17	37

Most firms needed long-term credit for remodeling or expanding their present facilities (table 13). Other reasons given for obtaining long-term loans were to buy new equipment or to move to new locations. Almost all of the long-term financing was obtained from banks.

Only two firms reported that long-term credit had ever been inadequate. Three firms were denied long-term credit at one time or another.

Table 13.--Retail florists reporting purpose, source, and adequacy of long-term credit, by size of firm, 46 retail florists, 4 Iowa cities, 1964

Item	Size of firm			All
	Small	Medium	Large	
	Number			
Purposes of long-term credit:				
Remodeling and expansion	5	4	6	15
New equipment	1	2	0	3
New location	1	0	2	3
Sources of long-term credit:				
Bank	6	5	7	18
Life insurance	1	0	1	2
Private lender	0	0	1	1
Equipment suppliers	0	0	1	1
Has your supply of long-term credit ever been inadequate?				
No	10	7	6	23
Yes	1	--	1	2
Did not use	9	8	4	21
Total	20	15	11	46
Have you ever been denied long-term credit?				
No	18	15	10	43
Yes	2	0	1	3
Total	20	15	11	46

Short-Term Credit.--Forty-one percent of the florists interviewed had used short-term credit (table 14). Only two florists reported that short-term credit was inadequate for their needs.

Table 14.--Firms using short-term credit, by size of firms, 46 retail florists, 4 Iowa cities, 1964

Size of firm	Total firms	Used short-term credit		Short-term credit adequate	
	Number	Number	Percent of total	Number	Percent of total
Small	20	7	35	19	95
Medium	15	5	33	14	93
Large	11	7	64	11	100
Total	46	19	41	44	96

Nearly all of the short-term credit was used to finance equipment (table 15). Seventeen of 19 firms that used short-term credit borrowed for this purpose. The other reason given for borrowing on a short-term basis was to meet bills.

Table 15.--Firms reporting purpose, source, and collateral requirements of short-term credit, by size of firm, 19 retail florists, 4 Iowa cities, 1964

Item	Size of firm			All
	Small	Medium	Large	
	Number			
Purpose:				
Finance equipment	6	5	6	17
Meet bills	1	0	1	2
Source:				
Banks	5	4	6	15
Private	1	0	0	1
Finance Company	1	0	0	1
FHA	0	1	0	1
Other 1/	0	0	1	1
Collateral needed:				
Signature	2	3	3	8
Equipment	4	0	4	8
Open note	0	2	0	2
Business	1	0	0	1
Total firms reporting	7	5	7	19

1/ Includes equipment and supply wholesalers and dealers.

Nearly all of the short-term financing was obtained from banks. Other sources were private individuals, finance companies, FHA, and others. Eight florists reported that they could borrow on their signatures alone. Nine others reported that they had to put up their equipment or business as collateral.

Credit

Extending Credit.--Extending credit for flower purchases could be a problem for many retail florists. Most of their sales are telephone orders, and are "occasioned" by births, deaths, etc., which must be filled promptly. Without a visual appraisal of his customers, the florist must reach a quick decision whether to accept or refuse the order. If he refuses, he has probably lost the customer forever; if he accepts, he may be saddled with a bad debt.

Most florists want all the orders they can get--particularly the smaller florists. As a result, virtually all telephone orders are accepted with minimum or no credit checks on the customer (table 16). Large firms have tighter credit controls than medium or small firms. Only one firm--a larger florist--had a credit manager.

While more small than large shops indicated that credit could be extended by the owners only, it often happened that the owners were the only employees of the small shops (table 17). Large shops usually had bookkeepers in addition to the proprietors or paid managers.

To reduce their credit risks, some florists exchanged names of slow-paying customers among themselves. This practice was more prevalent in Waterloo, where 67 percent of the florists did this. No florist in Cedar Rapids exchanged names.

Table 16.--Firms reporting various methods used to qualify a first-time purchaser for credit, by size of firms, 4 Iowa cities, 1963

Methods used to qualify a first-time purchaser	Size of firm			Total 1/
	Small	Medium	Large	
	Number			
Use credit guide	2	6	8	16
Ask place of employment	5	3	1	9
Ask for references	4	1	2	7
Ask for home address	1	2	0	3
Ask for other charge accounts	1	2	0	3
Require credit application	0	1	1	2
No phone credit to unknown customers	1	1	0	2
Have credit manager	0	0	1	1
Accept essentially all orders	13	8	3	24
Other 2/	3	3	0	7
All methods	30	27	16	73

1/ Details do not equal total number of firms because some firms used more than 1 method.

2/ Other answers were: "Ask why they call instead of coming in;" "Ask if recommended;" "Call home phone as check;" "Ask if they own their home;" "Ask if wife works;" "Ask if they had purchased here before."

Table 17.--Firms reporting delegation of authority to extend credit, by size of firm, 45 retail florists, 4 Iowa cities, 1963

Credit sales authorized by--	Size of shop			Total
	Small 1/	Medium	Large	
	Number			
Owners only	7	6	3	16
Employees, with owner approval	1	2	1	4
Bookkeeper	0	2	2	4
Credit manager	0	1	1	2
Long-tenure employees	1	0	1	2
All full-time employees	0	1	0	1
All employees	6	5	5	16
Total	15	17	13	45

1/ 14 of 20 firms reporting.

The practice seemed to be most prevalent among medium-sized florists (table 18). Neither the large nor small florists participated in checking the credit ratings of their customers with other florists.

Most retail florists in the 4 cities used the same billing procedures. These usually consisted of a bill on the first of the month after purchase, and additional bills on the first of each of the 2 following months. If the bill was still unpaid, florists followed different procedures.

Table 18.--Firms that exchange names of credit violators with other firms, by size of firms, 46 retail florists, 4 Iowa cities, 1963

Size of firm	Firms reporting--				Total firms	
	Exchanging names		Not exchanging names			
	Number	Percent	Number	Percent	Number	Percent
Small	4	20	16	80	20	100
Medium	8	53	7	47	15	100
Large	2	18	9	82	11	100
All sizes	14	30	32	70	46	100

Some florists turned their 90-day-old accounts over to collection agencies. Other florists did not like to do this because these agencies retained too large a percentage of the amount collected. Others objected to this procedure because it would forever alienate a customer who was temporarily unable to pay because of some unforeseen circumstance.

Florists not using collection agencies usually attempted to collect their delinquent accounts by telephone calls, personal visits, and special letters. Thirty-five florists--12 small, 14 medium, and 9 large--reported that customers were placed on a "c.o.d. only" basis when accounts had become delinquent (table 19). The degree of delinquency varied, however. Most florists agreed that an unpaid account 90 days from date of purchase was delinquent. Others said that delinquency varied according to circumstances.

Table 19.--Firms that impose cod basis or add a service charge to delinquent accounts, by size of firm, 46 retail florists, 4 Iowa cities, 1963

Size of firm	Number of firms	Firms reporting that they--			
		Placed delinquent accounts on c.o.d. basis		Added a service charge to delinquent accounts	
		Number	Percent of total	Number	Percent of total
Small	20	12	60	4	20
Medium	15	14	93	3	20
Large	11	9	82	3	27
Total	46	35	76	10	22

In addition to placing delinquent accounts on a c.o.d. only basis, some florists--10 of 46--added a service charge to delinquent accounts. They reported that the service charge--either threatened or actually imposed--was a useful tool in effecting payment of delinquent or past-due accounts.

Volume of Noncollectable Accounts.--Despite rather informal habits of extending credit and collecting delinquent accounts, the total amount of noncollectable accounts in the cities surveyed was only $27,916 (table 20, and appendix table 38). This was 0.9 percent of total gross sales. Medium-sized firms had higher total losses than either small or large firms.

Uncollectable Accounts as a Percentage of Gross Sales.--To determine the effect of various practices on the size of noncollectable accounts, the 46 retail florist firms

were grouped on the basis of their ratios of bad debts to gross sales. The low-ratio group included 12 firms with ratios ranging from zero to 0.29. The medium group included 14 firms with ratios from 0.37 to 0.59. In the high-ratio group were 20 firms with ratios ranging from 0.79 to 12.83.

Table 20.--Retail value of noncollectable accounts, by size of firm, 46 retail florists, 4 Iowa cities, 1963

Size of firm	Amount of noncollectable accounts reported		Percentage of gross sales noncollectable
	Total	Per firm	
	Dollars	Dollars	Percent
Small	2,455	123	0.5
Medium	14,728	982	1.4
Large	10,733	976	0.7
All sizes	27,916	607	0.9

The factor having the most definite relationship to size of noncollectable accounts was authority to extend credit. For firms in the low-loss group the authority to extend credit was primarily a function of management, in most instances the owner himself (table 21). In the high-loss group, on the other hand, the authority was delegated in most firms to employees below the management level.

Table 21.--Number and percentage of firms reporting size of noncollectable accounts by persons authorized to extend credit, 46 retail florists, 4 Iowa cities, 1963

Persons authorized to extend credit	Size of noncollectable accounts						All firms
	Low 1/		Medium 2/		High 3/		
	Number	Percent	Number	Percent	Number	Percent	Number
Owners only	5	50	6	40	5	25	16
Employees with approval of owner	0	0	1	6	3	15	4
Bookkeeper	1	10	2	14	1	5	4
Credit manager	1	10	1	6	0	0	2
Long-tenure employees	0	0	1	6	1	5	2
All full-time employees	0	0	0	0	1	5	1
All employees	3	30	4	28	9	45	16
Total	10	100	15	100	20	100	45

1/ 10 of 12 firms reporting.
2/ 12 of 14 firms reporting.
3/ 19 of 20 firms reporting.

The exchange of names of poor credit risks among florists had little effect on the amount of bad debts a florist had. Within each noncollectable-accounts-to-gross-sales category, approximately 25-35 percent of the florists exchanged names of poor credit risks and 65-75 percent did not.

Almost all the florists interviewed had a regular billing procedure. This consisted of the original statement and two subsequent monthly billings. Florists who followed this procedure and did nothing else to collect delinquent accounts seemed to have lower bad-debt losses than others. Few florists in this category referred delinquent accounts to collection agencies or otherwise harassed customers who were poor payers. The percentage of florists who followed these procedures was larger in both the medium- and high-loss categories.

More florists in the low bad debts category put delinquent accounts on a c.o.d. basis than did the medium- or high-loss florists. Only one low-loss shop added a service charge to delinquent accounts, compared with 6 in the medium-loss and 3 in the high-loss category. Or, 8 percent of the low-loss shops added a service charge, compared with 43 percent of the medium-loss and 15 percent of the high-loss shops.

The relationship of the number of orders refused to customer-screening procedures and bad-debt losses is an important aspect in an analysis of losses from noncollectable accounts. It was impossible to obtain information concerning the number of orders refused. Most of the florists asserted they accepted virtually all orders for flowers.

WHOLESALE FLORISTS

General Characteristics

Ten wholesale firms had gross sales of more than $2.25 million in 1963, or averaged $226,900 each (table 22). Size varied considerably among the firms. Two had gross sales of less than $100,000; 3 had sales between $100,000-$200,000; 2 had sales between $200,000-$300,000; and 3 had sales of more than $300,000. The 5 firms in the small group (less than $200,000) had total sales of $544,000 in 1963, or an average of $108,800. Gross sales of the 5 large firms (more than $200,000) totaled $1,725,000, or averaged $345,000 each.

Table 22.--Number of firms and volume of sales by size of firm, 10 wholesale florists, 4 Iowa cities, 1963

Size of firm 1/	Firms	Volume of sales	
		Total	Per firm
	Number	Dollars	Dollars
Small	5	544,000	108,800
Large	5	1,725,000	345,000
Total or average	10	2,269,000	226,900

1/ Small firms had gross sales of less than $200,000, large firms more than $200,000.

Most of their income came from sale of cut flowers and potted plants. These products each accounted for more than 40 percent of the gross sales in both size groups. Bedding plants and nonperishable floral supplies, although of major importance in some firms were minor items in each group as a whole. Three small firms and 2 large had facilities for growing plants. About half the total sales in the small group and a third of sales in the large were grown by firms in those groups.

Number of employees also indicates size. The 10 firms reported a total of 87 full-time and 34 part-time workers (table 23). Productivity as measured by gross sales per full-time employee was higher in the large firm group--$26,538--compared with $24,727 in the small group. Small firms used proportionally more part-time help. However, comparisons of part-time help are not completely valid because the actual number of hours worked was not obtained.

Table 23.--Average number of full-time and part-time employees by size of firm, 10 wholesale florists, 4 Iowa cities, 1964

	Size of firm		All firms
	Small	Large	
	Number		
Full-time	4.4	13.0	8.7
Part-time	2.8	4.0	3.4

The age of the 10 firms varied widely. The oldest firm was established in 1890 and the youngest in 1957; both were in the small group. Only 2 firms had been in business less than 10 years. The average age of firms in the small group was 28 years compared with 20 years of firms in the large group (table 24). However, the large firms had been under the same management for most of their existence. Two factors generally considered indicative of successful management--growth in size and long tenure for managers--were present in large firms but not in small. Yet, the small firms had continued to operate and were older than the large firms.

Table 24.--Average age of business and number of years under present management, by size of firm, 10 wholesale florists, 4 Iowa cities, 1963

Item	Size of firm		All firms
	Small	Large	
Age of business (years)	28	20	23
Number of years under present management (Number)	6.3	17.2	11.8

Most of the firms were organized as corporations--3 of the 5 in each size group. In the small group, one additional firm was a proprietorship and another a partnership. In the large group, there were no proprietorships, but 2 firms were organized as partnerships.

Seven of the wholesale firms had only a single plant or outlet. Of the 3 with multiple outlets, 1 firm was in the large group and had 3 units. Two firms in the small group had a total of 5 outlets.

Business hours were approximately equal in the two size groups. Monday through Friday, the large firms were open an average of 9.5 hours and small firms 9.2 hours (table 25). On Saturday, the small firms were open a little more than 8 hours and the large firms a little less than 8 hours. One firm from the small group and 2 from the large group did business on Sunday for an average of about 3 hours. Business hours of wholesale florists are perhaps closer associated to the needs and habits of the retail florists they serve than to differences of policy among themselves.

Table 25.--Average number of business hours by size of firm, 10 wholesale florists, 4 Iowa cities, 1963

Item	Size of firm		All firms
	Small	Large	
	Hours		
Number of hours shop is open for business:			
Monday-Friday	9.2	9.5	9.3
Saturday	8.3	7.8	8.0
Sunday	.6	1.2	.9

Managers

The wholesale firms in this study were not typically family businesses. Only 2 of the 10 were second-generation establishments--one father to son and one father to son-in-law. Nor did managers typically come from families engaged in other phases of the floral industry. Only 3 of the 10 managers, 1 in the small group and 2 in the large, had parents who were in flower-related occupations. Nevertheless, all managers of small-sized firms had experience in the floral industry prior to their present position. This experience included truck driving, greenhouse work, selling, bookkeeping and management, and averaged 5.4 years. Three of these managers had additional work experience in nonrelated fields.

Four of the 5 managers of large firms had about 8 years previous experience in flower-related work. Two of these managers had additional experience in nonrelated occupations.

Only one manager in each group had any formal training directly related to the wholesale florist business. This training consisted of attending flower clinics of a few days' duration. Two managers in each group had formal training beyond high school that was not directly related to the floral industry.

Extending Credit

Wholesale florists typically extend credit for a major part of their sales. For the 10 firms included in the study, credit sales in 1963 averaged 91 percent of gross sales. Their credit arrangements were usually an open-account type with monthly billings, the net due and payable upon receipt. Another characteristic of their credit programs was the very limited use of service or carrying charges. Therefore, providing credit was a cost of doing business, rather than a source of additional income.

The cost of extending credit by wholesale florists took 2 forms. One was the cost of the capital required to finance the credit program. This cost was negligible when payment was received upon first billing because it was offset by an approximately balancing delay in payment for purchases. Therefore, this was a cost accociated primarily with delinquent accounts. For the 10 firms, it was not of particular significance. More important were the losses from nonpayment. In 1963, the average loss per firm from noncollectable accounts was $1,018, or 0.45 percent of gross sales. However, losses for individual firms ranged from zero to 1.5 percent of gross sales. For some firms, this loss was a significant part of net returns. If these firms

could reduce their losses from bad debts, their businesses might shift from a marginal one to one of at least fair returns.

How might this shift be accomplished? What are the factors that account for the differences in losses among firms? Answers to these questions were sought by comparing policies and practices of firms of low losses with those of high losses. For this analysis, the 10 firms were stratified on the basis of size of noncollectable accounts expressed as a percentage of gross sales. Five firms were placed in each strata. The 5 low-loss firms had noncollectables that averaged 0.06 percent of gross sales compared with 0.78 percent in the high-loss group (table 26).

Table 26.--Average gross sales and noncollectable accounts by size of noncollectables, 10 wholesale florists, 4 Iowa cities, 1963

Size of noncollectables	Wholesale florists	Gross sales		
		Total	Noncollectable	Percentage noncollectable
	Number	Dollars	Dollars	Percent
Low	5	210,000	136	0.06
High	5	244,000	1,900	.78
All sizes	10	227,000	1,018	.45

The size of losses from noncollectable accounts was first studied in relation to 2 general factors--size of firm and location. The size of the firm had little, if any, relationship to the amount of bad debts. Three of the firms that were classed as large and 2 of the small firms fell in the low-loss strata. But, on the other hand, some of both the largest and the smallest firms were in the high-loss group. The firm with the highest losses and the firm with the lowest losses were both small firms. We can conclude, then, that accounts may be managed successfully in both small and large firms.

In contrast, location did appear to be related to size of losses from bad debts. All firms in Des Moines fell in the high-loss group, and all those in Sioux City in the low-loss group. However, since the firms studied are already committed to their present location, they may best use this information as an indication of a possible problem.

Size of losses from noncollectable accounts was next studied in regard to the screening of customers. Two phases were analyzed--who did the screening and how was it done? Bad debts in any firm generally arise from very few accounts, often only one or two. It follows, therefore, that a screening process that might occasionally eliminate a potential customer and cut gross sales by a relatively small amount, perhaps 1 percent, might at the same time increase net returns considerably, as much as 10 percent. In all firms, the authority to extend credit was a function of management. However, in the low-loss firms this task received somewhat more personal attention from the owner or manager than in the high-loss firms. In the high-loss firms, the authority tended to be delegated and was more apt to be made by a member of the office staff than by the owner or manager (table 27).

Most firms based their decision to grant credit on 5 credit checks (table 28). The low-loss firms averaged 1 type of check per customer compared with 2.2 for the

large loss. Apparently, large-loss firms did a more comprehensive investigation of prospective customers than did the low-loss firms. In fact, 2 low-loss firms reported that they accepted all orders initially. These findings indicate that either the low-loss firms conducted their credit checks with greater depth and thoroughness, or the credit checks as used by the 10 wholesale firms were of very little value in accomplishing their objectives.

Table 27.--Delegation of authority to extend credit, by size of noncollectables, 10 wholesale florists, 4 Iowa cities, 1963

Credit authorized by--	Size of noncollectables		All
	Low	High	
	Number		
Owner or manager only	3	2	5
Owner, manager or bookkeeper	1	1	2
Front office personnel	1	2	3

Table 28.--Sources and types of information used to qualify first-time purchasers for credit, by size of noncollectables, 10 wholesale florists, 4 Iowa cities, 1963

Item	Size of noncollectables		All
	Low	High	
	Number		
Check business references	2	5	7
Check with their bank	1	2	3
Check with other wholesalers	2	1	3
Check with Dunn and Bradstreet	0	2	2
Check length of time in business	0	1	1
Accept all first-time orders	2	0	2

The policies and practices used in handling active accounts were also analyzed. There was little difference between the 2 groups in method of collections, but a striking difference in their application. Low-loss firms were characterized primarily by flexibility in their collection techniques. All but one of these firms explained their bill-collection procedure as a "play-by-ear" arrangement. After the initial billing, each account was given individual attention. As a result, delinquent accounts promptly received whatever collection methods were necessary to produce payment. A c.o.d. basis was instituted quickly when necessary. In sharp contrast, the high-loss firms were characterized by well-organized but highly inflexible procedures. If the initial billing did not result in payment, it was followed by a second billing, and then a third if necessary. None of these firms resorted to a c.o.d. basis before 90 days after purchase. The highly organized but inflexible nature of these collection programs apparently defeated the purpose they were designed to serve. Possibly related to the differences in collection procedures between the groups was a difference in the persons administering the collection program. Two of the low-loss firms had full-time bookkeepers, but the high-loss group had none. Four low-loss firms compared with 3 high-loss ones retained the services of a public accountant.

Another significant difference between the groups was that the low-loss group did 38 percent of their business for cash, compared with 14 percent in the high-loss group. We were not able to determine how much this situation affected the size of

bad debts. In any event, no firm in either group attempted to increase cash sales by offering a discount for cash. Nearly as desirable as cash is prompt payment of accounts. Two firms in the low-loss group imposed a service charge on delinquent accounts. No high-loss firm had such a charge.

Obtaining Credit

Most businesses required credit both for original financing and for continuing operation. Data were obtained relating to the past and present credit programs of the 10 wholesale florists. Original capital requirements, available from 9 of the 10 firms, averaged $24,389. For 3 firms, the owner or owners supplied all original capital; for 2 firms, the parent organization; and for 2 other firms, private lenders. For the remaining 3 wholesale firms, the owners supplied only part of their capital. The rest came in one instance from a private lender, in a second from a stock issue, and in the third from a bank. Therefore, of the total capital required to originally finance these firms, only one loan in the amount of $3,000 was supplied by a bank.

In addition to the original investment, most of the firms required other financing from time to time. This was primarily short-term credit. In each size group, 4 of the 5 firms had used short-term credit at one time or another (table 29). The major use of short-term credit was for financing supplies (table 30). Two small and 3 large firms had used long-term credit. The most important use of long-term credit was to finance expansion or remodeling of facilities.

Table 29.--Use of credit by size of firm, 10 wholesale florists, 4 Iowa cities, 1963

Item	Firm reporting by size of firm		All
	Small	Large	
	Number		
Has firm used short-term credit?			
No	1	1	2
Yes	4	4	8
Has firm used long-term credit?			
No	3	2	5
Yes	2	3	5

Table 30.--Purpose of credit by size of firm, 10 wholesale florists, 4 Iowa cities, 1963

Item	Firm reporting by size of firm		All
	Small	Large	
	Number		
Purpose of short-term credit:			
Finance cars or trucks	3	0	3
Finance equipment	1	2	3
Cover operating losses	1	2	3
Finance supplies	2	2	4
Pay income tax	1	0	1
Purpose of long-term credit:			
Finance trucks	1	0	1
Expand or remodel	1	2	3
Finance supplies	0	1	1

The firms in general had been able to secure credit as needed (table 31). Only 2 firms--1 in each size group--reported that short-term credit had been inadequate. Only 1 firm had been unable to obtain sufficient long-term credit. Since the wholesalers grew less than a third of the floral products they handled, it would seem that considerable credit would be needed for purchasing these supplies. As an indication of the adequacy of this form of credit, the managers were asked if their firm had ever been placed on a c.o.d. basis by any of its suppliers. Only 1 firm in each size group ever had this experience, indicating that, in general, the supply of credit for perishable supplies was adequate. These findings imply that the wholesale florists did not believe obtaining adequate credit was one of their major problems.

BANKS

Many florists, particularly retailers in Iowa and in other areas, believed that bankers generally regard the florist industry as one of high risk. Consequently, their credit ratings tend to be low, and they often encounter difficulty in securing adequate financing. We questioned loan officers of Iowa banks concerning their loan policies to determine if this were true.

Table 31.--Firms reporting availability of credit by size of firm, 10 wholesale florists, 4 Iowa cities, 1963

Item	Size of firm		All
	Small	Large	
	Number		
Has short-term credit ever been inadequate?			
No	4	4	8
Yes	1	1	2
Has long-term credit ever been inadequate?			
No	55	4	9
Yes	0	1	1
Have you ever been placed on c.o.d. basis?			
No	4	4	-
Yes	1	1	-

Officials of 12 banks were interviewed. Loans to florists had been made in 7 of these banks. Most of them had been to retailers--17 compared with 5 wholesalers and 2 growers. Only 3 banks had denied loans to florists. One foreclosure was reported; it resulted in no loss to the bank because the cosigner made payment.

We could find no evidence that bankers look with disfavor on loans to florists. Nearly every official interviewed stated that their loan policy for florists was no different than that for any other business. Basic principles had been developed in these banks primarily to insure the safety of all loans. No banker listed applicant's type of business as a factor in evaluating a loan request. Even though the applicant for a loan might be a florist, it had no real bearing on the banker's decision. Most of the bankers felt loans to florists were about average risk for small businesses. Two bankers thought they were a-better-than-average risk; none considered them below average.

The factors most mentioned by bankers in approving loans were the financial structure of the business (7 respondents), and a history of successful operation (6 respondents). Other factors mentioned were: The borrower's managerial experience, (4); his character, (4); collateral, (3); and income, (1). When bankers were asked if florists were characteristically weak in any of these, there were no emphatic replies. However, 4 bankers said that some florists tended to be the artistic rather than the business type. These florists tended to sell too much on credit and to take too much out of the business. The bankers suggested that florists might improve their credit standing by:

1. Improving general level of management.
2. Maintaining tight control of outstanding debts.
3. Paying bills promptly.
4. Building reserves.
5. Building a history of sucessful operation.
6. Establishing good relations with their banker.

They were well agreed that florists are neither favored nor disfavored in obtaining loans and that adequate credit is certainly available to those with sound operations under good management.

APPENDIX

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Table 32.--Size and volume of sales, 46 retail florists, 4 Iowa cities, 1963

City	Size of firms			Total firms	Total	Average
	Small	Medium	Large			
	Percent	Percent	Percent	Number	Dollars	Dollars
Cedar Rapids	56	11	33	9	507,861	56,429
Des Moines	35	35	30	20	1,675,259	83,763
Sioux City	64	27	9	11	476,108	43,283
Waterloo	17	67	17	6	471,800	78,633
Total or average	43	33	24	46	3,131,028	68,066

Table 33.--Firms with facilities for taking floral orders after regular shop hours, 46 retail florists, 4 Iowa cities, 1964

City	Retail florists	Firms with order-taking facilities	
		Number	Percent of total
Cedar Rapids	9	7	78
Des Moines	20	18	90
Sioux City	11	10	91
Waterloo	6	5	83
Total or average	46	40	87

Table 34.--Gross sales per full-time employee, by size of business, 46 retail florists, 4 Iowa cities, 1963

City	Size of business		
	Small	Medium	Large
	Dollars		
Cedar Rapids	11,442	1/	21,700
Des Moines	21,937	19,848	21,270
Sioux City	14,464	18,556	1/
Waterloo	1/	13,560	1/
Average	13,772	16,647	20,590

1/ Withheld to avoid disclosure of firms.

Table 35.--Average amounts of cash and credit sales, 46 retail florists, 4 Iowa cities, 1963

City	Volume of sales				Total	
	Cash		Credit			
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Cedar Rapids	10,379	18.4	46,050	81.6	56,429	100.0
Des Moines	22,022	26.3	61,741	73.7	83,763	100.0
Sioux City	12,575	29.1	30,707	70.9	43,282	100.0
Waterloo	19,612	24.9	59,021	75.1	78,633	100.0
Total	17,171	25.2	50,895	74.8	68,066	100.0

Table 36.--Distribution of gross sales in each city, by source of floral (perishable) supplies, 46 retail florists, 4 Iowa cities, 1964

Source	Percentage of gross sales				Total
	Cedar Rapids	Des Moines	Sioux City	Waterloo	
	Percent				
Local grower	17	8	4	18	10
Local wholesaler	28	58	51	34	49
Out-of-town grower	2	6	3	23	7
Out-of-town wholesaler	5	21	9	18	16
Own greenhouses	48	7	33	7	18
Total	100	100	100	100	100

Table 37.--Average value of fixed assets and perishable and nonperishable inventory of florist shops, 46 retail florists, 4 Iowa cities, 1964

Item	City				Average 3/
	Cedar Rapids	Des Moines 1/	Sioux City 2/	Waterloo	
	Dollars				
Fixed assets	23,104	18,130	19,214	32,896	21,568
Perishable inventory	467	338	590	332	427
Nonperishable inventory	1,140	3,498	1,786	6,387	3,111
Total	24,711	21,966	21,590	39,615	25,106

1/ 19 of 20 firms reporting.
2/ 7 of 11 firms reporting.
3/ 41 of 46 firms reporting.

Table 38.--Retail value of noncollectable accounts, 46 retail florists, 4 Iowa cities, 1963

City	Noncollectable accounts		
	Total amount	Average per firm	Average percentage of gross sales
	Dollars	Dollars	Percent
Cedar Rapids..	3,005	334	0.6
Des Moines....	9,056	453	.5
Sioux City....	8,947	813	1.9
Waterloo.....	6,908	1,151	1.5
Total.....	27,916	607	.9

Table 39.--Number of establishments, sales, payrolls, paid employees, and active proprietors, United States, Iowa, and selected Standard Metropolitan Statistical Areas, 1948, 1954, and 1958

	Establishments		Sales		Payroll entire year	Payroll workweek ended nearest Nov. 15		Paid employees workweek ended nearest Nov. 15		Active proprietors of unincorporated businesses
	Total	With payroll	Total all establishments	Establishments with payroll		Total	Full workweek	Total	Full workweek	
	Number	Number	$1,000	$1,000	$1,000	Dollars	Dollars	Number	Number	Number
1958										
U.S. total	19,176	11,662	638,397	533,713	96,666	1,820,002	1,664,244	39,087	31,759	21,514
Iowa total	225	137	7,579	6,311	1,205	21,530	19,658	489	388	254
Standard Metropolitan Statistical Areas:										
Sioux City	5	5	367	361	78	1,437	1,402	26	24	8
Waterloo	6	6	383	383	75	1,343	1,179	35	26	7
Des Moines	27	23	1,436	1,372	316	5,411	4,982	111	92	27
Cedar Rapids	12	8	439	391	75	1,401	1,286	25	20	12
1954										
U.S. total	16,279	10,247	495,553	421,927	75,917	1,457,313	1,340,751	31,878	25,825	18,233
Iowa total	197	123	6,081	5,051	1,026	19,554	18,330	424	341	229
Standard Metropolitan Statistical Areas:										
Sioux City	11	7	381	355	78	1,297	1,277	28	27	13
Waterloo	8	6	317	(D)	58	1,012	860	23	16	10
Des Moines	33	21	1,185	1,039	251	4,711	4,630	88	80	31
Cedar Rapids	9	7	407	(D)	74	1,405	1,384	21	20	9
1948										
U.S. total	14,749		377,250		53,497			30,619	23,292	15,843
Iowa total	121	(NA)	4,974	(NA)	857	(NA)	(NA)	508	399	191
Standard Metropolitan Statistical Areas:										
Sioux City	6	(NA)	678	(NA)	166	(NA)	(NA)	83	67	21
Waterloo	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)
Des Moines	15	(NA)	898	(NA)	158	(NA)	(NA)	72	62	44
Cedar Rapids	4	(NA)	317	(NA)	34	(NA)	(NA)	19	14	9

(D) Withheld to avoid disclosure. (NA) Not available.

Source: Bureau of the Census. Retail Trade-Area Statistics, 1958 Census of Business.

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Table 40.--Numbers of flower, bulb, and plant wholesalers, Iowa and the United States, 1954 and 1958

Year and area	All wholesalers						Merchant wholesalers		Other operating types	
	Establishments	Sales	Payroll entire year	Payroll, workweek ended nearest Nov. 15	Paid employees workweek ended nearest Nov. 15	Active proprietors of unincorporated businesses	Establishments	Sales	Establishments	Sales
	Number	$1,000	$1,000	Dollars	Number	Number	Number	$1,000	Number	$1,000
1958:										
U.S.	1,202	385,733	33,383	731,651	9,154	857	903		299	
Iowa	9	1,707	152	3,116	36	7	7	(D)	2	(D)
1954*										
U.S.	966	222,942	28,605	542,603	7,766	664	966	222,942		
Iowa	14	1,897	406	9,140	170	9	14	1,897	(NA)	(NA)

(NA)--Not available
(D)--Withheld to avoid disclosure.
*--Figures available for merchant wholesalers only.

Source: Bureau of the Census. Wholesale Trade-Area Statistics, 1958 Census of Business.

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